

Message Text

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PAGE 01 KINGST 04328 01 OF 02 201943Z

46

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SCEM-02 INT-08 CAB-09 DODE-00 FAA-00 FPC-01

PM-07 H-03 L-03 PA-04 PRS-01 USIA-15 DRC-01 /191 W

----- 060711

R 201900Z DEC 73

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3617

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L SECTION 1 OF 2 KINGSTON 4328/1

E.O. 11652: GDS

TAGS: ENRG, JM

SUBJ: ENERGY CRISIS

1. PRIME MINISTER MANLEY RETURNED IN A SUBDUED MOOD YESTERDAY FROM THE CARICOM SUMMIT CONFERENCE ON THE ENERGY CRISIS. IN AN AIRPORT PRESS CONFERENCE THE PM SAID HE EXPECTED THE INTERNATIONAL ENERGY CRISIS TO GET WORSE EARLY IN THE NEW YEAR. HE WAS VAGUE ON THE WORK AND CONCLUSIONS OF THE CONFERENCE ITSELF, SAYING THAT "THE REGIONAL GOVERNMENTS ARE NOW CLEAR ON EACH OTHER'S POSITION IN THE CRISIS". WITH REGARD TO THE ECONOMIC ACTIVITY IN JAMAICA MOST SENSITIVE TO THE ENERGY CRISIS, TOURISM, THE PM SAID "WE IN JAMAICA INTEND TO MOVE THE TOURISTS TO JAMAICA BY ONE MEANS OR THE OTHER". THOUGH THE PM WAS NOT SPECIFIC, THE DRIFT OF HIS REMARKS SUGGESTED THAT TRINIDAD WOULD CONTINUE TO SUPPLY PETROLEUM TO JAMAICA AT PRE-CRISIS LEVELS. HOWEVER TRINIDAD IS ONLY ONE OF FIVE MAJOR OIL SUPPLIERS TO JAMAICA, THE OTHERS BEING VENEZUELA, ARUBA, CURACAO, AND THE US. MINISTER OF
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PAGE 02 KINGST 04328 01 OF 02 201943Z

MINES AND NATURAL RESOURCES, ALLEN ISAACS, IS PRESENTLY IN

VENEZUELA SEEKING COMMITMENTS ON FUTURE OIL SUPPLIES. SEVERAL WEEKS AGO, THE VENEZUELAN AMBASSADOR IN JAMAICA MADE WHAT APPEARED TO BE A BLANKET COMMITMENT TO THE SUPPLY OF JAMAICAN REQUIREMENTS FROM VENEZUELAN SOURCES. HOWEVER, EXACTLY WHAT HIS PROMISE MEANT WAS NEVER CLEAR, AND SINCE THEN VENEZUELAN PRESIDENTIAL ELECTION HAVE BEEN WON BY THE OPPOSITION PARTY. ISAACS MAY ALSO VISIT ARUBA AND CURACAO TO SEEK COMMITMENTS ON FUTURE SUPPLIES FROM THOSE SOURCES.

2. IN ADDITION TO THESE EFFORTS, THERE ARE INDICATIONS THAT THE GOJ IS SEEKING TO CASH IN WITH THE ARABS SOME OF THE CHIPS IT BELIEVES IT HAS WON FOR THE SUPPORT OF THE ARAB CAUSE AND FOR ITS GENERAL THIRD WORLDISM OVER THE PAST SEVERAL YEARS. THESE EFFORTS MAY LEAD TO SOME ASSURANCES, BUT IT IS DOUBTFUL THAT THEY WILL PRODUCE MUCH OIL AT LEAST IN THE SHORT RUN.

3. THOUGH THE GOJ IS PROPERLY AND SERIOUSLY CONCERNED ABOUT THE FUTURE, THE REAL IMPACT OF THE ENERGY CRISIS ON JAMAICAN HAS THUS FAR BEEN LIMITED. A VOLUNTARY FUEL AND ENERGY CONSERVATION PROGRAM IS IN EFFECT. THERE HAS BEEN NO RATIONING OF EITHER FUEL OR ELECTRICAL ENERGY. FOR SOME MONTHS JAMAICAN ECONOMY HAS BEEN AFFLICTED BY RAW MATERIAL SHORTAGES OF ONE KIND OR ANOTHER. THESE SHORTEAGES HAVE BEEN ESPECIALLY SEVERE IN THE BUILDING AND PETRO-CHEMICAL INDUSTRIES. CEMENT, STEEL, AND RAW MATERIAL FOR THE PLASTICS INDUSTRY HAVE BEEN IN PARTICULARLY SHORT SUPPLY. THE PRINCIPAL CAUSE OF SHORTAGES HERETOFORE HAS BEEN WORLD INFLATION AND COMPETITION FROM OTHER CONSUMERS, COUPLED WITH THE IMPROVIDENCE OF LOCAL CONSUMERS IN THEIR FAILURE TO HEDGE BY PURCHASING FUTURES IN KEY COMMODITIES. HOWEVER THE ENERGY CRISIS WILL UNDOUBTEDLY RESTRICT RAW MATERIALS IMPORTS STILL FURTHER, ESPECIALLY IN THE PETRO-CHEMICAL AREA.

4. THUS FAR THE ATTENTION OF THE GOJ HAS BEEN DIRECTED TOWARDS THE PHYSICAL SUPPLY OF PETROLEUM REQUIREMENTS. VERY LITTLE HAS BEEN SAID ABOUT PRICE, AND IT SEEMS LIKELY THAT, EVEN IF BASIC REQUIREMENTS CAN BE MET, THE PRICE WILL BE CONSIDERABLY HIGHER THAN AT PRESENT. THIS WILL CLEARLY HAVE A MAJOR IMPACT ON THE ENTIRE ECONOMY. THOUGH NO FIRM FIGURES ARE AVAILABLE, ONE KNOWLEDGABLE NEWSPAPER COLUMNIST ESTIMATES THAT THE ENERGY CRISIS MAY ADD AS MUCH AS 50 MILLION DOLLARS ANNUALLY TO JAMAICA'S FUEL BILL.

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PAGE 03 KINGST 04328 01 OF 02 201943Z

THIS SEEMS HIGH, BUT EVEN A LESSER INCREASE IN FUEL COSTS WOULD BE A MAJOR BURDEN ON THE BALANCE OF PAYMENTS, AND WOULD SERIOUSLY ERODE JAMAICA'S RESERVE POSITION.

5. AS INDICATED ABOVE, TOURISM IS THE AREA MOST SENSATIVE TO THE ENERGY CRISIS. ALREADY 8 TWA CHARTER FLIGHTS BRINGING JAMAICANS HOME FROM ENGLAND FOR CHRISTMAS HAVE BEEN CANCELLED, AS HAVE AT LEAST 4 CHARTER FLIGHTS BY VARIOUS CARRIERS FROM THE US TO

JAMAICA. THUS FAR NO REGULAR SCHEDULES HAVE BEEN CURTAILED, BUT CANCELLATIONS CAN BE EXPECTED EARLY IN THE NEW YEAR. AS PREVIOUSLY REPORTED, TWO CRUISE SHIPS HAVE CUT JAMAICA OUT OF THEIR ITINERARY ALLEGEDLY FOR REASONS OF FUEL CONSERVATION, THOUGH THERE MAY HAVE BEEN OTHER REASONS AS WELL. OFFICIALLY THE GOVERNMENT HAS BEEN REASSURING ABOUT THE IMPACT OF THE ENERGY CRISIS ON THE TOURIST INDUSTRY, INDICATING THAT WAYS WILL BE FOUND TO PREVENT MAJOR DAMAGE TO THE INDUSTRY. UNOFFICIALLY, GOVERNMENT OFFICIALS ARE NOT SO OPTIMISTIC. THE UNDERSECRETARY OF ECONOMIC AFFAIRS OF THE FOREIGN MINISTRY TOLD THE CHARGE THAT SHE ESTIMATED RECEIPTS FROM THE TOURIST INDUSTRY WOULD BE CUT BY AT LEAST 40 PERCENT THIS SEASON AS A RESULT OF THE ENERGY CRISIS. THE SERIOUSNESS WITH WHICH

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PAGE 01 KINGST 04328 02 OF 02 201947Z

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ACTION ARA-20

INFO OCT-01 ISO-00 SCEM-02 INT-08 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

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R 201910Z DEC 73

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3618

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L SECTION 2 OF 2 KINGSTON 4328/2

THE GOVERNMENT REGARDS THE SITUATION IS DEMONSTRATED BY THE FACT THAT THE PM CALLED THE CHARGE LAST FRIDAY TO SEEK THE INTERVENTION OF THE US GOVERNMENT IN ASSURING SUFFICIENT SUPPLIES OF JET FUEL FOR AIR JAMAICA FLIGHTS ON THE KINGSTON-DETROIT RUN. AN APPOINTMENT WAS ARRANGED BETWEEN THE CHARGE AND ARTHUR BROWN, PRES-

IDENT OF THE CENTRAL BANK, TO DISCUSS THE SITUATION IN DETAIL.
LATER IN THE DAY BROWN PHONED TO SAY THAT HE WOULD BE UNABLE
TO KEEP APPOINTMENT BECAUSE HE HAD TO ACCOMPANY THE PM TO TRIN-
IDAD, BUT THAT HE UNDERSTOOD AIR JAMAICA HAS BEEN ASSURED
SUFFICIENT SUPPLIES UNTIL THE END OF DECEMBER. HOWEVER WE CAN EXPECT
TO HEAR MORE OF THIS AND RELATED PROBLEMS.

6. THERE HAS BEEN LITTLE TALK OF THE PROBABLE IMPACT OF THE
ENERGY CRISIS ON THE BAUXITE INDUSTRY, WHICH IS SURPRISING
CONSIDERING THAT BAUXITE IS JAMAICA'S SINGLE LARGEST INDUSTRY AND
ITS GREATEST PRODUCER OF FOREIGN EXCHANGE. GIVEN THE VAST AMOUNTS
OF ELECTRICITY CONSUMED IN THE PROCESS OF REFINING BAUXITE INTO
ALUMINUM IT SEEMS LIKELY THAT THE IMPACT WILL BE A MAJOR ONE IF
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PAGE 02 KINGST 04328 02 OF 02 201947Z

THE ENEGRY CRISIS PERSISTS. THE EMBASSY WOULD APPRECIATE AN
ESTIMATE FROM THE DEPT ON POSSIBLE CUTS IN PRODUCTION AND ALUM-
INUM REFINERY PLANTS IN THE US DEPENDING LARGELY ON JAMAICA AS
THEIR SOURCE OF SUPPLY FOR BAUXITE OR ALUMINA.
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